

SENATE BILL 854

By Kilby

AN ACT to amend Tennessee Code Annotated, Section 67-4-1004 and Section 67-6-228, relative to lowering the sales tax on food and increasing the cigarette tax.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. This act shall be known and may be cited as the "Food Tax – Cigarette Tax Exchange Act of 2007".

SECTION 2. Tennessee Code Annotated, 67-6-228(a), is amended by deleting the language "six percent (6%)" and by substituting instead the language "four percent (4%)".

SECTION 3. Tennessee Code Annotated, Section 67-6-228(a), is further amended by adding the following language to the end thereto:

The commissioner of revenue shall develop and implement a formula to hold counties and municipalities harmless from actual or potential net loss of revenue resulting from the reduction of sales taxes imposed on food. No county or municipality shall receive from state sales tax revenues in fiscal year 2007-2008 and in subsequent fiscal years a lesser amount of state sales tax revenues than it would have received prior to the reduction in the sales taxes imposed on food, adjusted for any changes in state sales tax revenues from the current fiscal year.

SECTION 4. Tennessee Code Annotated, 67-4-1004(a), is amended by deleting the language "ten (10) mills on each cigarette" and by substituting instead the following language: "five cents (5¢) on each cigarette" and by adding the following sentence at the end of the subsection:

On July 1 of each fiscal year ending in an even number, beginning with fiscal year 2007-2008 and continuing until fiscal year 2017-2018, the tax rate on cigarettes shall be increased by five hundredths of a cent (0.05¢) on each cigarette or the amount as

determined under Section 5 of this act, whichever is greater. The increase on the tax rate on cigarettes shall be implemented to ensure that this act is, to the greatest extent practicable, revenue neutral considering declining cigarette use and other such factors.

SECTION 5. It is the legislative intent of this act that the fiscal impact of this bill be as revenue-neutral as practicable in the immediate and long-term. Beginning July 1, 2008, the commissioner of revenue shall review the fiscal impact of this act to ensure it continues to be revenue neutral, taking into consideration changing cigarette purchases in this state and growth of the state population. The commissioner of revenue shall report to the general assembly by January 1 of each year, beginning in 2008 and continuing through 2016, regarding any adjustment to the annual increase of five hundredths of a cent (0.05¢) on each cigarette outlined in Section 4 that should be implemented in order to maintain an equivalent amount of revenues if the sales tax on food had not been reduced pursuant to this act. Unless the general assembly recommends otherwise, beginning in fiscal year 2008-2009, the cigarette tax shall be increased by five hundredths of a cent (0.05¢) on each cigarette as outlined in Section 4.

SECTION 6. This act shall take effect at 12:01 a.m. on July 1, 2007, the public welfare requiring it.